CEO Summit
Luncheon and Panel Discussion
11:00am - 1:00pm May 14, 2015

Central Arkansas RMA Chapter presents our 2015 Signature Event: CEO Summit @ the William J Clinton Presidential Library Grand Hall in Downtown Little Rock, Arkansas. Our Headline Event Sponsors are BKD LLP, Friday, Eldridge and Clark LLP and Simmons Bank. Over 200 tickets have been sold, making this event the largest in our history.

CEO Summit consists of Regional and Community Bank CEO’s in a panel discussion moderated by Talk Business & Politics Roby Brock. Dual buffet lines will provide a gourmet, fresh selection of foods to satisfy all tastes.

Complete details of this exciting event can be found on pages 2 - 5 of this newsletter.
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Panelists

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First Arkansas Bank & Trust
Chairman of the Board, President & Chief
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Jacksonville, Arkansas

Jill Castilla
Citizens Bank of Edmond
President and Chief Executive Officer
Edmond, Oklahoma

Panelists scheduled to appear at press time
Thank you to all of our sponsors including Luncheon Sponsor Carrus Financial Management. This combined support allows us to provide an enhanced buffet offering of carefully selected fresh produce and quality proteins. Below is an overview of the food selection roughly one month before the event. It is subject to change due to the nature of available ingredients meeting the chef’s high standards for quality without compromise.

- Southern Soaked Salad
- Campanelle Pasta Salad with Field Peas, Cucumber, Avocado, Mint and Lemon
- Tomato Salad with Goat Cheese and Fresh Cucumber
- Roasted Crystal Lake Farms* Chicken over Pesto Gnocchi with Parmesan
- Balsamic Glazed Shrimp over Coconut Rice with Grill Zucchini
- Rolls with Whipped Herb Butter
- Strawberry Shortcake with Homemade Vanilla Bean Crème

*Why Crystal Lake Farms? This Decatur, Arkansas based farm is noted for chicken with no antibiotics, no animal by-products, humanely raised, 100% vegetarian diet, pasture focused and Step 4 certified. This process results in a tasty, nutritious bird.
Nominations for candidates are being welcomed through April 17, 2015. Our Nomination Committee will carefully select Five Outstanding Finalists from the pool of qualified nominees. Each finalist will be recognized live on-site at CEO Summit on May 14, 2015. Our Inaugural Award Winner will be named Commercial Banker of the Year live on-stage. The winner will receive a prize as determined by award sponsor Gill Ragon Owens and Shareholder and Director Heartsill Ragon III, who originally conceived the genesis of the project. Ragon has pledged a three-year commitment to sponsoring this award and serves on the selection committee. Each of the seven Selection Committee Members have volunteered their time and energy to participate. Turn to page 29 for the complete details. The 2016 CBOTY will be announced during our annual signature event.

Introduced in last May at our 2014 Signature Event: Women in Banking Luncheon and Panel Discussion, the President’s Award allows our chapter to recognize the achievement, volunteerism, teamwork and outstanding service provided during the past year by one board member. The chapter president solicits nominations from the board and discusses various merits with several nominators. After this process closes, the chapter president spends a month pouring over chapter events and communications to try to zero in on the single most service and results driven volunteer for the review period. The winner for the 2nd Annual President’s Award, sponsored by Wright, Lindsey & Jennings LLP, will be announced live at CEO Summit on May 14. The winner will receive an engraved plaque and Visa Gift Card. Our Inaugural Winner in 2014 was Chapter Treasurer Christine Miller.
Are you taking the time to be a Mentor to a colleague or subordinate? Do you look forward to assisting, helping to build an associates confidence and ability? Do you take a personal interest in the professional development of another? Are you sincere and give your very best even when it seems there might not be an immediate, tangible, direct benefit for yourself?

If you don’t, then I want to encourage you to consider the many rewards for getting started. If you answered ‘yes’ to the above questions then congratulations to you because mentorship seems to have fallen on the back burner for the past decade or so. There are many reasons why, from industry consolidation to the nature of employee turnover, from the focus on ‘making the numbers’ to folks not being taught early on to help others on the long climb up the ladder.

Being a mentor to another is one of the most fulfilling experiences I have enjoyed in my 20+ years as a banker. Early on, and mid-way through my career, I greatly benefited from being mentored. Up through the ranks, from teller to manager to lender, I was fortunate to have dedicated mentors of high quality. I always appreciated this a great deal. In turn, I would always look for ways to give back, to provide to others the same life and industry lessons I had been fortunate to learn and experience.

It amazes me to this day the number and variety of associates I have worked with who seek me out for advice, want to bounce a career decision off of me, or simply want my opinion on a credit or personnel decision. I tell everybody the same thing; my advice is worth what you pay for it, but I will always listen carefully, maintain confidence and provide an opinion or possible resolution.

One thing you must always remember is sometimes your professional interest and those of the person you mentor may cross paths. This is to be expected and there is nothing wrong with this. I am as competitive as the next person, very competitive in fact, but I do not ever want to win over the crushed back of a mentee. Do the right thing every time and you don’t have to worry about what you did. Remember to maintain complete confidence, never share outside this confidence and don’t even think about ‘letting a little something slip.’

Another important thing about being an effective and valued mentor is to never worry about ‘what’s in it for me?’ If you are good enough, if you make the right decisions, what’s in it for you will take care of itself. Besides, one of the most fulfilling phone calls I receive is from folks I hired or promoted at one time or worked with at a previous institution, when they say they won a big deal, earned that promotion or simply want to say ‘thanks.’ Some rewards you simply cannot place a price upon.

Once in my career, I went for a period of several years with only sporadic or even non-existent mentorship for myself. Those years were less productive and enjoyable. Fortunately, I still had a collection of mentee’s which provided fulfillment. Currently, things are looking strong in the mentorship role and I’m very appreciative of some new challenges in my career.
Golf, Food, Libations, Fast Greens and More await Four Member Teams in this Shotgun Scramble Tournament at the Annual Central Arkansas RMA Chapter Charity Golf Classic held at the Maumelle Country Club on June 15. Lunch will be served by 11:30am with Tee-Time at 1pm. Our charity benefactor, as selected by majority vote of the chapter board, is Junior Achievement of Arkansas. Golf Committee Co-Chairs: David Coleman / Simmons Bank and Colbey Frisbee / Centennial. Additions to the Golf Committee this year include: Robb Fiser / Arvest Bank and David Straessle / Relyance Bank. Four Person teams are $395. Check out the chapter website for the latest Golf News including Sponsorship Packages and Hole Signs.

Chapter Website:  http://community.rmahq.org/CentralArkansas
Over the past several years, the number of financial institutions becoming U.S. Small Business Administration (SBA) 7(a) lenders or expanding their lending in this program has increased. The benefits can be significant, but so can the risks if a lender doesn’t understand the program requirements or have experience liquidating SBA 7(a) loans. Accounting standards regarding the sale of the guaranteed portion of an SBA 7(a) loan are a significant—often unseen—operational and financial pitfall. This article offers a high-level look at the benefits, risks and accounting considerations for lenders in the SBA 7(a) Loan Program.

**Benefits**

SBA’s guaranteed loan program benefits small businesses by helping fund long- or short-term loans. By participating with SBA, the lender can loan small businesses the capital required to begin or expand their operations on terms consistent with their cash needs. The guarantee program facilitates the leveraging of SBA’s appropriated funds with private-sector capital, increasing the pool of funds available to small businesses. SBA hopes this greater accessibility to capital will promote a healthy, vibrant and productive economy.

The lender can benefit from participating in SBA’s guaranteed loan program in a number of ways, including:

**Lending in excess of legal lending limit** – The SBA-guaranteed portion of a loan generally isn’t included when calculating the legal lending limit, subject to state banking laws, to individual or affiliated borrowers, thereby permitting larger loans than would otherwise be allowed.

**Assistance developing new accounts** – By offering loans consistent with the useful lives of the assets being financed and the ability of the customer to repay, a lender can attract customers unable to find longer-term loans from other lenders.

**Creating liquidity** – This benefit applies to all lenders, since the SBA-guaranteed portion of a long-term loan is saleable and a source of liquidity.

**Help meeting Community Reinvestment Act provisions** – Participating in SBA’s guaranteed loan program will improve the local economy by fostering growth of businesses financed and jobs created.

**Increase profits** – An active secondary market often exists for SBA-backed loans; taking part in it can generate noninterest income.

**Primary Risks**

The primary risks involved in SBA 7(a) lending occur in the closing, servicing and liquidation stages. While repairs—lowering of the guaranteed amount—and denials of guarantees usually come in the liquidation stage of the credit, the cause is often failure to appropriately obtain, verify or document at or before the funding and closing of the loan. The leading causes of repairs and denials of SBA guarantees are:

1. Lien and collateral deficiencies
2. Unauthorized use of proceeds
3. Liquidation deficiencies
4. Undocumented servicing actions
5. Early defaults (denial if determined to be reason for business failure)
6. SBA loan eligibility (denial)

**Accounting Considerations when Selling Guaranteed Portion of SBA 7(a) Loan**

Although most significant risks lie on the credit side of SBA 7(a) lending, many financial institutions don’t adequately prepare their personnel and loan or accounting systems for the complexity of accounting related to selling of the guaranteed portion of an SBA 7(a) loan or pool of loans. Accounting for the guaranteed portion of SBA loan sales is covered under Accounting Standards Codification (ASC) 860,
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Transfers and Servicing. Here are some of the common issues related to meeting the sales accounting requirements under ASC 860, assumptions and loan system issues when recording the sale and impairment of servicing rights:

Meeting the participating interest definition under ASC 860 — Since only the guaranteed amount is being sold, the sale must meet the normal sale requirements under ASC 860 and the definition of a participating interest. To meet the definition of a participating interest, the transfer of the guaranteed portion of the loan must meet the following requirements:

- The transfer represents a pro rata ownership in an entire financial asset.
- Cash flows are proportionate with ownership.
- All participants have equal rights with no subordination and no recourse to the transferor or other participants.
- No party can pledge or exchange the entire financial asset without the agreement of all participating interest holders.

However, if the transferred guaranteed portion of an SBA loan doesn’t meet the definition of a participating interest, the transfer of the guaranteed portion must be accounted for as a secured borrowing, rather than a sale.

Loan systems & assumptions — Once a lender determines the sale of the guaranteed portion of an SBA 7(a) loan meets all sale and participating interest requirements of ASC 860, it must account for the loan as follows:

1. Allocate the previous carrying amount of the entire financial asset between the participating interest sold and the participating interest that continues to be held on the basis of their relative fair values.
2. Derecognize the participating interest sold.
3. Recognize the measurement of the servicing asset obtained.
4. Recognize any gain or loss on the sale in the earnings.
5. Report any participating interest that continues to be held at a difference between the previous carrying amount and the derecognized amount.

Financial institutions not selling SBA 7(a) loans may lack the systems or programs to account for the sale at the relative fair value using the steps above. Therefore, they might need to enlist a third-party system provider or develop a system and process to determine the accounting entries for the sale. The process a lender chooses should be based on the experience of personnel as well as volume. In addition, a lender will need to ensure it has a system in place to record ongoing entries for any accretion of discount related to the fair value and portion of loan retained as well as the servicing right asset going forward. A lender planning to sell a significant number of SBA 7(a) loans may consider using third-party software to reduce time demands and potential errors associated with trying to track and record these items using spreadsheets.

Although several assumptions and inputs are required to account for an SBA 7(a) loan sale, the most judgmental and subjective assumptions relate to fair value of the servicing right asset. When valuing the servicing right asset for SBA 7(a) loan sales, the present value of future cash flows typically is used, as there isn’t an active market for these service rights. To calculate this value, a lender usually needs to include the servicing fee, a discount rate, cost of servicing, default rate and prepayment rate. ASC 860 requires servicing assets to be subsequently valued using the fair value or amortization method at each reporting date.

While the benefits of being an SBA 7(a) lender can be great, without the appropriate experience, due diligence and planning, this program can lead to potential credit issues and operational headaches. If you’re considering entering the SBA 7(a) program or you’re a lender and believe you have areas that need improvement, contact your BKD advisor.

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Luncheon: Jan Hargrave
CEO Jan Hargrave & Associates
February 26, 2015

Cajun native, Houston, Texas based non-verbal communication expert and author Jan Hargrave entertained and interacted with 70 attendees at the Clinton Center Grand Hall. Blending smarts with humor, combined with audience participation (thank you Dennis Watkins / Centennial Bank) resulted in some of the most positive feedback ever received for a chapter luncheon. Hargrave has other programs and could make a return visit in 2016.
10 Door Prize Winners at the February 26, 2015 Luncheon won copies of various books, including *Strictly Business* and *Let Me See Your Body Talk*, written by Jan Hargrave

- Brenda Baldwin, Damita Brown & Gregory McCarroll / Centennial Bank
- Alicia Brown & Andrea Rabeneck / One Bank
- Nina Castaldi & Russ Martin / Relyance Bank
  - Joseph Dunn / Eagle Bank (*formerly*)
- Melissa Henshaw / Simmons Bank
- Sharon Ingram / US Bank
Central Arkansas RMA Chapter continues its popular Banking High Profile Series with our 6th installment. Mark Roberts is a highly respected banker and attorney. Malvern National Bank joined RMA as an Institutional Member in 2014. Recently, we visited on a number of professional and personal topics.

Name: Mark Roberts  
Company: Malvern National Bank  
Title: President & Legal Counsel

Central Arkansas RMA Chapter: Why did you choose to work in the Banking / Financial Services Industry?  
Mark Roberts: I feel the reverse; that banking chose me rather than me choosing banking. I was practicing law in a small firm that represented Malvern National Bank and I did most of the legal work for the bank. The bank decided that it wanted to hire inside counsel and I had to decide to either go with the bank or stay in private law practice. It was a no-brainer then and I have enjoyed learning the banking industry.

RMA: Tell us something about yourself.  
Roberts: I am blessed with a wonderful wife, Becky, two great sons and daughters-in-law and we are looking forward to our first grandchild in June. I can’t wait to get back into t-ball! My only real hobby is golf and it is now just a hobby in that I enjoy...
spending time with my friends and the golf is secondary.

RMA: What is the most important lesson you have learned in your Banking Career?
Roberts: That everything is really all about people and relationships, whether it’s dealing with employees or customers. The most important thing that we can invest in others is our time.

RMA: Why did you get involved with RMA?
Roberts: RMA is a trusted provider of instruction for our bank. We know that our people will get good instruction and the bank will profit from their experience.

RMA: What is one fact about yourself others are unlikely to know?
Roberts: I had been promoted to Executive Vice President for about a month when I appeared as the guitar player Slash at the bank’s Christmas party complete with wig and a tattoo sleeve. I’m sure our board members wondered what they had done.

RMA: Describe your job duties and responsibilities.
Roberts: I always wanted to be a coach and now I feel like that is what I do. My job duties include planning for the bank and making sure that everyone stays on task. It is important to me to be responsible for everything. I don’t mean to micro-manage every area of the bank, but to let it be known that if something goes wrong, you are not on your own. I went to the Graduate School of Banking at LSU and one of our instructors had a saying, “Feed the horses, shoot the wounded and keep the herd together.” I think that pretty well sums up my duties and responsibilities.

RMA: What new skill or knowledge are you learning in your position?
Roberts: I think that I continue to evolve constantly. I continue to learn about people and how best to communicate with them individually. One style doesn’t work for all. I also want to learn enough to be conversational with our people about all areas of the bank.

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RMA: Who or what has been the greatest single influence in your career?
Roberts: My grandfather has been the biggest influence on me. He evidenced hard work, unconditional love and a strong faith in God. While not always being successful, I have tried to follow his example in my life and career.

RMA: What do you do to unwind, relax and have fun?
Roberts: Becky and I love to go to movies and spend time with our family.

RMA: What advice do you give others who are seeking professional, in-depth industry training?
Roberts: We encourage everyone here to go to as much training as possible. There are so many options available today, however, that you have to be selective. When we find a provider, like RMA, that we can depend on, we encourage our people to look at them first.

RMA: Malvern National Bank is a well-established, successful community bank that is also growing and expanding into more heavily populated, competitive areas of Central Arkansas. What opportunities and challenges have you experienced thus far?
Roberts: The obvious opportunity was to move into growing and developing markets. We believe that as a community bank, we can provide service and quick decisions that will differentiate us in the
new markets. I think that all areas of the state are competitive right now, some areas just have more opportunities than others. We wanted to be in areas where there were increased opportunities to carve out a niche. We made the move at a time when the environment allowed us to obtain locations as well as qualified people to run them. I think the biggest challenge is to have the patience to let the process play out. It is an exciting time and you would like to open up and be going full speed from day one. That isn't realistic, especially in the competitive, low interest environment that we are in. We are starting to gain traction and that is exciting.

RMA: Many Bank CEO's tell us that selecting, hiring and retaining the right people is key to success. What specific qualities do you look for when adding to your team?
Roberts: I want people who can communicate both with customers and with fellow employees. We want people who can think on their own and can recognize when something just doesn't look right and are willing to work to correct it. I think one of our biggest challenges is to recognize talent quickly and keep those people moving up at a pace that will keep them interested and involved.

RMA: Who is your mentor and what role does he/she play in your career?
Roberts: I have a great relationship with, and enjoy working with our Board Chairman, Lynn Marshall. His background, intellect and work ethic challenge me and encourage me to stretch the limits each day. He has a wonderful ability to keep me grounded. I was also blessed to have the opportunity to work for Floyd Parker during my early years at the bank. Mr. Parker was, and is, a great influence on both a personal and professional level.

RMA: What is your favorite restaurant, movie, musician and book?
Roberts: My favorite restaurant is probably the Flying Fish in Little Rock. I love all kinds of movies, but one of my favorites is Remember the Titans. The Eagles are my all time favorite in the area of music and I would have to choose the Bible as my favorite book.

RMA: Who would be present at your Dream Dinner (current or past)?
Roberts: So many choices, but I would pick Abraham Lincoln, John F. Kennedy and Dr. Martin Luther King.

Former Board Members News

David Robertson
One Bank & Trust

Former Chapter Treasurer and Golf Tournament Chairman David Robertson, a commercial loan officer with One Bank & Trust, was promoted to Vice President. Previous to being a lender, Robertson was a Real Estate Inspector for One Bank. He is a graduate of the University of Arkansas at Fayetteville and married with children. Robertson has been with One Bank for nearly nine years.

Shelley Lewis
Arvest Bank

Shelley Lewis and her husband recently welcomed their first child, a beautiful baby boy and possible future RMA Chapter President. Lewis served as a board member and Co-Chair of the Women in Banking Committee. Lewis is Manager of Loan Assistants at Arvest and works at the Downtown Little Rock location. Previously, she was a Consumer Loan Officer at the Chenal Banking Center. Lewis began her Arvest Career in Northwest Arkansas, later transferring to the Little Rock Area after graduating the University of Arkansas at Fayetteville.
While this article is geared toward banking organization buyers and their due diligence in preparing pro forma financial information, sellers may find this information useful as well.

One of the first considerations in the acquisition process is obtaining regulatory approval. The application process should include thorough due diligence of the target, a well-documented post-acquisition business plan and pro forma financial statements and disclosures with post-closing capital ratios. Pre- and post-close capital ratios will be an important area of emphasis for regulators to evaluate the viability and ultimate approval of the transaction. Therefore, the buyer should carefully evaluate the transaction and recording of pro forma financial information.

The first step in preparing accurate pro forma financial information and disclosures is summarizing the deal contract, including the purchase price, contingencies, obligations and transactions occurring due to a change in control provisions and transfer of assets acquired and liabilities assumed. Once a clear understanding of the transactions is obtained, the acquirer will need to apply Accounting Standards Codification (ASC) 805 – Business Combinations to the transaction, which requires a thorough analysis and recording of assets acquired and liabilities assumed at fair value. Here are some high-level reminders for recording a target acquisition:

- With limited exceptions, assets acquired, liabilities assumed and non-controlling interest are recorded at fair value.
- Merger-related costs, such as legal, accounting and consulting fees, aren’t capitalized into the acquisition price.
- None of the target’s allowance for loan losses transfers to the acquirer.

Various factors have contributed to the rise in bank acquisitions—increased regulatory compliance, succession planning issues, increasing capital requirements, the need to leverage excess capital and uncertainty in operating risk associated with government regulations. Many bank management teams are assessing their strategic plans to buy or sell.
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• Goodwill can’t be adjusted one year after the acquisition.
• Any excess of net assets acquired over the purchase price (formerly negative goodwill) is recognized in earnings as a bargain purchase gain.
• The acquisition date is the date assets are acquired and/or liabilities are assumed.
• Fair value adjustments may be made post acquisition within a year of the acquisition date.

Estimating fair value can be challenging before the acquisition and may require outside assistance, particularly with loan portfolios and intangible assets. Bankers generally practice good due diligence processes when evaluating loan credit quality; however, other fair value adjustments often are overlooked, such as those related to current interest rates and terms as compared to a contractual agreement in place, liquidity premiums or prepayment estimations—all of which can have a material impact on fair value measurements individually or in the aggregate. This is similar to other financial instruments, including deposit portfolios and long-term debt arrangements, such as Federal Home Loan Bank borrowings. In addition, all intangible assets, such as core deposit intangibles, must be identified and recorded at fair value as of the acquisition date. Property, plant and equipment acquired also must be recorded at fair value as of the acquisition date. Third-party valuation specialists may need to measure the fair value of these assets.

The effects on the financial statement may be long-lasting due to post-acquisition accretion or amortization of discounts or premiums applied to assets and liabilities to arrive at fair value. These subsequent adjustments and impairment considerations are important to the pro forma financial disclosures because they may have a significant impact on the entity’s operations and cash flows.

It’s also important to understand Statement of Financial Accounting Concepts No. 6 (Con 6) – Elements of Financial Statements regarding elements of financial statements and criteria for recording an asset or liability. In some cases, assets or liabilities recorded on a target’s balance sheet may not qualify as an asset or liability on the acquirer’s books during the acquisition process and vice versa. Items to carefully examine can include prepaid assets, unrecorded payables, employee relocation costs, terminations, payroll liabilities arising from stock based compensation plans, equity method investments, favorable or unfavorable leases and assets and liabilities arising from contingencies.

In other cases, costs an acquirer expects but isn’t obligated to incur in the future aren’t liabilities at the acquisition date; rather, they’re costs to be incurred by the acquirer subsequent to the acquisition date. A common example is the decision to terminate the target’s software contracts after the acquisition. In that case, the buyer may have incorporated the termination cost into the acquisition price and cost to the selling shareholders, with a perception that the cost will be recorded as a liability at the acquisition date. However, a liability or related expense isn’t incurred until the software is terminated, often post-acquisition, resulting in a buyer expense.

Another area that warrants close attention during the due diligence process is employee compensation arrangements. According to ASC 805, employee compensation arrangements should be analyzed to determine whether they represent compensation for pre-acquisition services, post-acquisition services or a combination of both. Amounts attributable to pre-acquisition services are accounted for as part of the transferred consideration. Amounts attributable to post-acquisition services are accounted for separately from the business combination and usually recognized as compensation cost in the post-acquisition period. Amounts attributable to both services are allocated between the transferred consideration and post-acquisition services.

Many purchase and assumption agreements include purchase-price allocations based on a target’s capital, as stated in accordance with generally accepted accounting principles. Applying a thorough due diligence process with an understanding of the concepts described above will help clarify buyer and seller expectations related to deal values and pro forma information results. This will lead to more accurate pro forma information that can help expedite regulatory approval and depiction of the transactions after closing.

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Special thanks to chapter board member Gary Edwards / BKD LLP Little Rock, Arkansas.
Board Profile: Ryan Carrus

Central Arkansas RMA Chapter: Why did you choose to work in the Banking / Financial Services Industry?
Carrus: I like helping people solve challenging financial puzzles/problems. God has blessed me with the ability to look at a complex financial problem/situation and help my clients work through it using unconventional approaches and solutions.

Questions:
- Tell us something about yourself?
Carrus: I’m married, 34, live in West Little Rock with Lizzi, my beautiful bride of 14 years and two energetic children; Grace-8, and Jackson-3. We attend Fellowship Bible Church and love spending time together doing volunteer work.
- What is the most important lesson you have learned during your banking career?
Carrus: Your word is your bond; do what you say you are going to do 100% of the time, even with the small stuff. Second would have to be “inspect what you expect.” (That one came from one of my best friends/mentors, and Chapter President David Marks).
- Why did you get involved with RMA?
Carrus: I joined RMA because I believe that managing risk is critical to every organization, not just banks.
- What is one fact about yourself others are unlikely to know?
Carrus: I am really into Christian apologetics (defending the Christian faith). The physical proofs supporting the existence of the Judeo-Christian God are amazing and the study of such has served to strengthen my faith and belief in God.
- Describe the leap of faith required to leave a traditional institution and start your own business?
Carrus: While it was a leap of faith, God gave me a profound sense of peace about the move. Yes, there were times I worried, but something deep in my heart told me it was the right thing to do at the right time. While I miss the folks I used to work with, I really enjoy the freedom to spend more time with my family as well as volunteer in the community more often.
- Your faith is a big part of your life.

Name: Ryan Carrus, CAIA, CFP
Company: Carrus Financial Management
Title: President / CEO
Years in Biz: 15

Ryan Carrus has worked for Wells Fargo Bank in Arizona, US Bank in Missouri, Pulaski Bank in Little Rock and most recently Centennial Bank. During this time he has seamlessly moved from Retail Banking to Management to Financial Services and finally to being an entrepreneur, branching out to start Carrus Financial Management. Hard working, determined and dedicated are just a few of the words that come to mind when describing this former colleague. I once told Carrus that if I had 10 of him I could ‘rule the world.’ I was only half kidding at the time. Fate put Ryan Carrus and I together 10+ years ago at Pulaski Bank & Trust where I worked as a District Manager over half the retail centers. Carrus came in and ‘assumed the sale’ in one of the most fascinating interview sessions I had ever conducted. I was impressed with him, hired him immediately and promoted him just a few months thereafter. Just who is Ryan Carrus? Read his profile for a glimpse of a most unique young man.
Please explain how you utilize it to benefit the less fortunate.

Carrus: Yes, faith is a huge part of my life; in fact it defines who I am as a person. I seek to (although I often fail miserably) glorify God in every aspect of my life, personally and professionally. One way my family is able to give back is by volunteering at Hidden Creek, a transition home for people who have just been released from prison. Through this ministry, God has really convicted me of the hypocrisy in my own life. He helped me to see that in His eyes, my sin is no different than the folks we mentor at HC. We are all broken sinners in need of a Savior.

Involvement in this ministry has also helped me see that the criminal justice system is terribly broken; as taxpayers, you and I spend $20-30k per year per inmate to incarcerate these people and the statistics show that when they get out of prison there is about a 66% chance they will end up back in prison within about three years, overloading the system and wasting our tax dollars. What is happening in our prisons is not rehabilitative; instead of focusing on the punitive side of justice, why are we not talking about ways to rehabilitate these individuals? I’m not saying that every person can be rehabilitated, but statistically, the rate of recidivism drops dramatically for individuals who are educated. Through a partnership with Arkansas Baptist College, Arkansas Community Corrections, and the Arkansas Department of Corrections we are trying to change that by bringing current inmates to Arkansas Baptist College to participate in college level classes. I was blessed to be able to teach last semester and it was a moving experience, to say the least. This program isn’t just about education, it’s about helping these individuals dream again; to see that, despite the bad decisions they’ve made in the past, they can be something more in the future.

Question: Please tell us a bit more about your students.

Carrus: Most of my students are current Arkansas Community Corrections (ACC) inmates serving time for drug and alcohol convictions. We teach in four week blocks with two weeks off in between blocks. The last class I taught consisted of ten women and three men; I’m guessing the average age of my students is around 30. The vast majority of individuals in ACC are either serving time for meth, alcohol, or prescription drug offenses; folks from all walks of life and socioeconomic backgrounds. Admittedly, when I first got involved with this program, I was a bit nervous because of the stigma of being around felons. However, God really worked in my heart to show me that they are people just like you and me that have made some unfortunate choices. I realized that in God’s eyes, my sin looks the same as theirs so I am in no position to judge. Sadly, many of these individuals are so used to being judged and condemned by society, I think they’re kind of surprised when they are treated with dignity and respect.

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Board Profile: Ryan Carrus

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Question: You have an amazing marriage and two adorable children through adoption. Please touch base on the decision to adopt and what you & Lizzi went through.

Carrus: Lizzi & I tried to have children two years prior to adopting Grace. However, were unable to conceive and decided to adopt. We told the agency we didn’t care about race, color, etc. and just wanted a healthy baby. Within two months, we had Grace, and five years after that, we were blessed with Jackson, both African-American children. Going through the process twice we learned that there are a lot of white adoptive parents who want white babies, but not a lot of white or black adoptive parents who want black babies. I hope that as a culture we can get past this issue and see children the way God sees them; as special and unique, deserving of a loving home. I don’t think I could love Grace & Jackson any more if they were my own flesh and blood, and never think of them as any different because they’re adopted; in fact, I feel like that makes them even more special because they were chosen to be a part of our family.

Question: During the decade I have known you, continual, consistent professional and personal development have been key in your world. Describe some of the training, work study and learning you have conducted.

Carrus: I think I’m a perpetual student; I get really bored if I’m not learning or improving my skill-set so I always try to advance my level of education. Besides a Bachelor’s and MBA, I am also a Chartered Alternative Investment Analyst™ and a Certified Financial Planner™. I just started studying for the Certified Divorce Financial Analyst™ designation so that should be interesting.

Question: You were a member of Class XXIX of Leadership Greater Little Rock. What did you like most about the year long program?

Carrus: LGLR is a fantastic program, and I am very appreciative that I was able to be a part of Class XXIX. Because I’m a big kid at heart, I really enjoyed the ropes course and military day the most. From a practical grown-up perspective, LGLR helped me gain a deeper appreciation for the state of Arkansas. Most importantly, however, I really treasure the friendships that I made; it makes me proud that we have so many caring, gifted, & passionate leaders in this community.

Question: Who is your mentor and what role does he / she play in your career?

Carrus: I would have to say my mentor is David Marks, our fearless Chapter President. David has been a good friend and mentor for the past 10 years. I’d have to say that he was one of the rare individuals in my life that helped me grow the most and always pushed me to be more and reach higher.
Question: What is your favorite restaurant, movie, musician and book?

Question: Who would be present at your Dream Dinner (current or past)?
Carrus: From the Bible: Jesus, David, Joshua. Secular: Abraham Lincoln, Ronald Regan, Martin Luther King

Question: With your meaningful experience in both traditional banking and independent financial management career paths, you have unique insight into this next question. Is RMA just for traditional bankers or are there valuable benefits and opportunities for other lines of business / industry? Why?
Carrus: I’d have to say that RMA is for everyone because managing risk is critically important for all organizations.

Question: What do you do to unwind, relax and have fun?
Carrus: I’m a total nerd/kid that never grew up. When I’m not reading, I play video games. I used to be a PC Gamer but have recently migrated to the PlayStation 4 so I could play with my kids. I really like to hunt and fish although I seldom have the time to do so.

Question: What is next for Ryan Carrus, say five years down the road?
Carrus: I hope to be blessed to be able to grow my financial planning and investment management business from a physical perspective as well as from a virtual perspective. So many more consumers are comfortable with technology and distance, so in the future I can see a good part of business being conducted online using technology vs. a physical office space.

On the philanthropic side, I’ve been working with Hidden Creek to start a classic car restoration shop and dealership. This is really exciting because I can see where we might be able to use this business to help teach folks who have been incarcerated a trade and possibly set them up to run their own business. If it works, I can see this turn into a really powerful ministry and example of a successful for profit not for profit partnership that changes lives and ultimately glorifies God.

Question: Who or What has been the greatest single influence in your career?
Carrus: It has been God’s sovereign hand that has had the greatest influence over my career. I would have never imagined I’d be a Financial Advisor, but that’s the gift I was given and I intend to use it to glorify Him and further His kingdom.
**FDIC: Consolidation is the Sensation**

**DID YOU KNOW?** As of 3/26/2015 the total number of FDIC Insured Bank Institutions in the United States has fallen to 6,445 with a combined 15.65 trillion dollars in assets. During the review period of January 1 - March 26, 2015: No new banks were opened. Four Failed and 75 Merged or Closed.

In **Arkansas**, Total Assets continue to trend upward at a moderate pace, while consolidation, not failure, continues to account for the vast majority of the reduction in total banks. For a quick perspective on states contagious to Arkansas, please consider: **Mississippi** 2011 Total Institutions 88 with 57.92 billion in assets compared to 12/31/2014 with 83 Institutions, but a significant increase to 78 billion in assets. **Louisiana** 2011 Total Institutions 146 with 67.95 billion in assets compared to 12/31/2014 with 138 Institutions with 64.02 billion in assets. **Oklahoma** 2011 Total Institutions 240 with 88.65 billion in assets compared to 12/31/2014 with 221 Institutions with 95.61 billion in assets. **What role does a state's population play?** Draw your own conclusions: 4.65m LA, 2.99m MS, 3.87m OK and 2.99m AR per Google Data.

*Information for this article: FDIC, American Bankers Association, US Census Bureau*
Board Members News

David Coleman
Simmons Bank

David and Kami Coleman recently welcomed their first child, John Aubrey Albert Coleman. Born on March 13, he was 7.8lbs and 20 inches. Coleman is a Commercial Lender for Simmons Bank, while wife Kami works for the Arkansas Bankers Association as Vice President of Professional Development.

Amy Pierce
The Capital Bank

Amy Pierce has joined Little Rock based community bank, The Capital Bank, as Senior Vice President/Chief Lending Officer and Credit Administrator. Amy brings a significant amount of banking experience to this 155mm asset institution located in West Little Rock. She is a graduate of Central Baptist College in Conway, Arkansas and a member of the Arkansas Business 40 Under 40 in 2009. A native of upstate New York, she began her career as a credit analyst with Nuvell Financial.

Breakfast Meeting
February 11, 2015

Rick Buczynski, Ph.D.
IBIS World Inc
Chief Economist
Senior Vice President
Hosted by BKD, LLP

Rick Buczynski, Chief Economist with IBIS World, traveled from Baltimore, Maryland to provide the program for our first Breakfast Meeting of the year. Hosted by Gary Edwards and BKD, the breakfast was attended by nearly 30. Jason’s Deli provided breakfast including pastries, fruit, hot coffee, juice and more. Buczynski’s presentation touched on a wide variety of topics recommended industries for commercial lending, a detailed white paper explaining the detail, and useful tools available to IBIS World customers and RMA Institutional Members, study packs, industry data and more.

Photos By Gates Nieman & Matthew Snyder
Central Arkansas RMA Chapter
Board Members & Officers

Board Members as of 4/20/2015

Jackson Balentine
Regions Bank

Ryan M Carrus, CAIA, CFP
Carrus Financial Management
Vice President
Social Media Co-Chair

David Coleman
Simmons First National Bank
Golf Committee Co-Chair

Karen Davidson
Commercial National Bank
Past President
Mid-South Regional Chapter Secretary

Heather Drew
One Bank & Trust

Gary Edwards CPA
BKD LLP
2015 CEO Summit Co-Chair

Robert Fiser
Arvest Bank
Golf Committee

Colbey Frisbee
Centennial Bank
Secretary and Golf Co-Chair

Adam Gilbert
DD&F Consulting

Marcus Guinn
Arvest Bank
2015 CEO Summit Co-Chair

David Marks
Arvest Bank
President

Christine Miller
Heartland Bank
Treasurer
Women in Banking Chair-Person

Gates Nieman
Regions Bank
Social Media Co-Chair

Phillip Partain
Simmons First National Bank
Education Coordinator

Ronnie Peters
DD&F Consulting

Amy Pierce
The Capital Bank
Membership Committee Chair

Robert Smith
Friday, Eldredge & Clark LLP

Matthew Snyder
Regions Bank

David Straessle
Relyance Bank
Golf Committee and Programming Chair
**Newest Institutional Members**

RMA HQ & the Central Arkansas Chapter welcomed two new Institutional Members in 1Q2015. Eagle Bank & Trust was recruited by Cindee Munro RMA Regional Manager for the Southwest Region. Central Arkansas RMA recently attended the Groundbreaking for a new branch for Eagle at the corner of North Little Rock and Sherwood. This redesigned banking center is the 2nd in multiple phases of new construction on this popular, well traveled corner. Once completed, these construction products will help beautify and serve this area.

**Photo Provided by Eagle Bank - North Hills & JFK Blvd**

**Newest Board Member**

**HEATHER DREW**  
**ONE BANK & TRUST, N.A.**  
**RISK ANALYST MANAGER & VICE PRESIDENT**

Heather Drew began her banking career, shortly after graduating college, at One Bank over twelve years ago as a Loan Assistant. In addition to the typical duties associated with the position, she developed an ongoing training program for loan assistants and new loan officers; and originated and maintained a small loan portfolio. From 2008 to 2011, Drew served as Credit Specialist in Loan Operations and was promoted to Loan Operations Officer in 2011. Her responsibilities included maintaining lending programs, policy and procedures, in addition to overseeing regulatory compliance and implementation, and comprehensive loan review.

In 2012, Drew was promoted to Loan Operations Manager, Vice President, and in 2014, promoted to Risk Analysis Manager, Vice President. In this position, some of her primary responsibilities include internal and external report development and analysis, performance of the quarterly Allowance for Loan and Lease Losses analysis, and management of the bank’s Other Real Estate Owned.

Graduating from the University of Arkansas, Fayetteville, in 2001 with a B.S. degree in Marketing, Drew is married to Tommy Drew, a Vice President in Fixed Income Sales at Stephens, Inc. Together they have two boys, aged 4 and 18 months.
Borrower Data Security
An Evolving Credit Risk

Christopher L Travis / Attorney at Law
Gill Ragon Owen

Christopher L. Travis is the head of the Gill Ragon Owen, P.A.’s Data Security & Risk Management Practice Group. Chris may be reached at (501) 376-3800 or by email at travis@gill-law.com.

The View from 30,000 Feet: News and Observations about Privacy Law and Business is the Official Blog of Mr. Travis’s group. We recommend you check it out.

http://gill-lawprivacy.blogspot.com/

“Principles of sound management should apply to the entire spectrum of risks facing a banking institution, including, but not limited to, credit, market, liquidity, operational, legal, and reputational risk.” Commercial Bank Examination Manual, § 1000.1 “Credit risk is the potential that a borrower or counterparty will fail to perform on an obligation.” This article proposes that a borrower’s data security increasingly presents a risk that it will fail to perform on an obligation. Banks should ensure their underwriting standards and loan policies adequately

• consider a borrower’s dependence on data and its exposure to fines, civil liability, and business damage, in the event of a data mishap
• assess the adequacy of a borrower’s data management policies and practices, and
• monitor a borrower’s awareness and management of their risk of exposure to regulatory fines, reputational damage, and business interruption, in the event of a mishap

A borrower’s data security is a growing risk in the credit risk spectrum.

Almost every borrower holds data that someone (whether the borrower, its customers, or the government) considers sensitive. “Data Security” is a broad term that describes a borrower’s ability and efforts to protect its sensitive information. Good data security often comprises many elements of a borrower’s operations, including—

• computer network security
• payment card data security
• written and unwritten employee policies, practices, and procedures
• website operations
• mobile device management
• vendor agreement management, and
• regulatory compliance

Credits are threatened when a borrower incurs fines or suffers a data breach and must choose between paying its obligations or diverting resources for remediation, breach notification, legal fees, civil damages, or regulatory fines, fees, and penalties.

Because of the increasing potential for losses associated with a data breach, banks should ensure their underwriting decisions adequately address a borrower’s data security. A borrower’s management should be able to demonstrate that it has given comprehensive and robust attention to its data inventory, practices, exposures, and weaknesses, and it should be able to produce policies and specific plans to reduce, ameliorate, or manage its operational risks.

Among tools borrowers have for managing their data risk is cyber-liability insurance. In turn, just as banks’ underwriting guidelines require the appropriate borrower to provide proof of fire, general commercial liability, or other insurance, underwriting guidelines should require a thoughtfully tailored cyber-liability coverage for the appropriate borrower. Because wide variations exist among risks covered, benefits provided (which can, in the appropriate circumstances, include breach-response and forensic services), and retention and deductible terms, a cyber-liability policy’s tendency to provide credit enhancement requires a careful analysis of the business and the policy. And a bank’s loan policy should ensure that underwriting standards reflect an adequate understanding of the cyber-liability insurance marketplace.

In addition, because of a borrower’s increasing exposure to contingent liabilities and liquidity stress arising from data security hazards, loan agreements should (i) include representations and warranties regarding the borrower’s commitment to maintaining strong data security, (ii) provide periodic reports certifying ongoing data security compliance (including third-party assessments and certifications where appropriate), and (iii) insure against data breach hazards, in appropriate circumstances.

A bank’s underwriting attention in the data security framework should focus on three primary areas: technical controls, administrative controls, and risk-shifting controls.

**Technical controls:** Borrowers’ information technology (“IT”) services are provided by its employees or by third-parties. IT services often only ensure a borrower’s computer network runs—not that it is also secure. Unless an IT service provider is expressly tasked with, or contracted to, maintain network security, an IT service provider may not do so as a matter of course. And in the same way that banks must adequately oversee its own third-party service providers, borrowers must do so as well. Therefore, a borrower’s management should be able to demonstrate that it discharges its technical network security oversight responsibilities. Features to look for include evidence of network security policies that at least require the installation of software updates and security patches, evidence that management conducts (or arranges for) periodic scans of its computer network, and that management has otherwise given thoughtful attention to its network security and, through employee oversight or third-party contracts, expressly managed those risks.
Borrower Data Security
An Evolving Credit Risk

Continued From Page 27

Administrative Controls: A borrower’s IT staff is usually not well-positioned to exert control over administrative functions such as developing and implementing a comprehensive set of entity-wide policies and procedures for data security. Adequate policies and procedures are critical because data breaches most often occur as a result of human factors that can be managed. For example, malicious software often makes its way on to a computer’s network as a result of an employee clicking a link in a harmless-looking email—a “phishing” exploit. A written policy requiring employee training can reduce that risk.

Other administrative controls include granting employees role-based access to sensitive data, using software settings to enable certain employees to read but not alter particular data records, monitoring employees’ access to data, or requiring employees to periodically acknowledge their awareness of and adherence to data security policies.

The hard reality is that most borrowers have not considered how their operational policies and practices impact their data security because no one requires them to do so. Sound data security business practices take effort and expense, which most unregulated businesses are not yet willing to do—unless required by an outside pressure, like a lender. Banks should require borrowers to demonstrate that they have adequately considered their actual business operations and have adopted appropriate written policies and procedures that address the data security concerns specific to their business. And banks should require borrowers to covenant that they will comply with those policies and procedures.

Risk-shifting controls: Protection from all losses arising from a data breach is almost certainly not provided by a general commercial liability insurance policy. Because of the potentially devastating expenses associated with a data breach, cyber-liability insurance is now as necessary as commercial general liability insurance or workers’ compensation insurance to ensure that a company has the ability to survive a data breach event. Cyber-liability insurance is a new, special kind of insurance that has several sub-limits and various kinds of coverage, so simply adding a sentence to a loan agreement requiring, say, $2,000,000 in cyber-liability insurance is not sufficient. Each borrower’s specific business should be considered when structuring a cyber-liability insurance requirement to ensure that the overall limit of the policy is appropriate as well as the various sub-limits.

Because a data breach can substantially weaken a credit, banks need to consider every commercial borrower’s data security risks and management as part of the underwriting process. Although there is no way to rule out a data breach, a borrower can minimize data security risk by maintaining strong computer network security, adopting and following sound operating policies, and insuring against losses where appropriate. Perhaps through sound credit risk underwriting, banks can help borrowers reduce the number of data breach events that occur every day.
Commercial Banker of the Year Selection Committee

Heartsill Ragon III - Gill Ragon Owen
Gary Edwards CPA - BKD LLP
Robert Smith - Friday, Eldredge & Clark LLP
Heather Robinette - Arkansas Small Business Development and Technology Center
Chad Kaufman - Junior Achievement of Arkansas
Ronnie Peters - DD&F Consulting
David Marks - Arvest Bank

Five Finalists Recognized and Award Winner Announced Live May 14 @ CEO Summit

Luncheon and Panel Discussion
Moderated by Roby Brock
Tickets $40 each or $400 Table of 10
email: centralarrrma@yahoo.com or call: 501-379-7292
website: community.rmahq.org/centralarkansas

Bank CEO Summit

Central Arkansas RMA Chapter

Thursday, May 14, 2015
11:00am - 1:00pm
Clinton Presidential Center - Grand Hall
Little Rock, Arkansas

Additional Sponsors
Central Arkansas Chapter Board Members gathered in 1Q2015 for our 3rd Annual Appreciation Dinner. This year Cantina Laredo in Little Rock’s Mid-Town Shopping & Dining District was our host site. Libations and delectable food flowed all evening long. Tall tales were told, innocence was lost (not really) and a good time was enjoyed in the company of peers (true). The evening started with a round of drinks and a handsome assortment of specialty appetizers. Board members were free to stay the evening or drop by for a bit on the way home. We volunteer our time and work hard, but we know how to relax and enjoy ourselves.
We held our Annual Signature Event for 2012 in May. It featured a dynamic assortment of Arkansas Banking Executive Management and focused on lending pitfalls, spilled milk and what to look for in the near future. Moderated by Roby Brock, a reception featured libations, chilled cocktail shrimp and tasty desserts held directly before this late afternoon event with over 65 in attendance. May 2016 marks the 30th Anniversary Celebration of this Chapter. In the coming year we will present flashback features touching and embracing our rich history. If you have pictures or details of past events please contact a board member. We may want to feature your material in a future newsletter.
Education Calendar

CENTRAL ARKANSAS

Asset Based Lending For Non-Asset Based Lenders
August 11, 2015
Hosted by Heartland Bank - Little Rock

Detecting Problem Loans
June 16, 2015
Hosted by BKD, LLP - Little Rock

Global Cash Flow I: Fundamentals in GFC Concepts
May 12, 2015
Hosted by Regions Bank - Little Rock

Lending to Wealthy Individuals (SOLD OUT)
April 23, 2015
Hosted By Friday, Eldridge & Clark LLP - Little Rock

Real Estate Lending Academy
July 14 - 16, 2015
Hosted by Arvest Bank - Little Rock

NORTHWEST ARKANSAS
Hosted by Arvest Mortgage Company - Lowell, Arkansas

Analyzing Personal Financial Statements
April 28, 2015

Analyzing Business Tax Returns & Financial Stmts
April 29, 2015

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Receive a $100 Discount when you sign up online via RMA HQ website using code RMA100
(copy & paste to your browser if needed)

Education
Please contact our Education Coordinator Phillip Partain
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Phillip.partain@simmonsfirst.com